

**BEFORE THE
PENNSYLVANIA GAMING CONTROL BOARD**

SANDS BETHWORKS	:	COMMONWEALTH OF
GAMING, LLC	:	PENNSYLVANIA
	:	
	:	PENNSYLVANIA GAMING
	:	CONTROL BOARD
IN RE: FREE SLOT PLAY REVIEW	:	
	:	LICENSING NO. 1353-4
	:	INVESTIGATION ID NO.
	:	1353-E1410-17
	:	

CONSENT AGREEMENT AND STIPULATION OF SETTLEMENT

THIS CONSENT AGREEMENT AND STIPULATION OF SETTLEMENT

is made and entered into by the Pennsylvania Gaming Control Board (“Board”), an independent administrative board of the Commonwealth of Pennsylvania, Office of Enforcement Counsel (“OEC”) and Sands Bethworks Gaming, LLC (“Sands”). Sands and OEC collectively are referred to as the “Parties”; and

WHEREAS, Sands is an enterprise organized and existing under the laws of Pennsylvania and at all times referenced herein, had its principal place of business at 77 Sands Boulevard, Bethlehem, PA 18015. Sands is the holder of a Category 2 slot machine license as awarded by the Board on December 20, 2006; and

WHEREAS, OEC is the prosecutorial body established by 4 Pa.C.S. § 1517(a.2) and has the power and duty to initiate proceedings for administrative violations of the Act pursuant to section 1517(a.2)(1)(iii) of the Act; and

WHEREAS, Sands and OEC, through their authorized representatives whose signatures are affixed hereto, have investigated the events that are the subject of this

Consent Agreement, have conferred extensively, and now desire to conclusively and amicably resolve all matters arising out of the events, and enter into a Consent Agreement before the filing of a Complaint, pursuant to 58 Pa. Code § 493a.1(a), which provides “[p]arties may propose consent agreements at any time prior to the entry of a final order;” and

WHEREAS, pursuant to 4 Pa.C.S. § 1102(1), the primary object of the Act to which all other objectives and purposes are secondary is to protect the public through the regulation and policing of all activities involving gaming and practices that continue to be unlawful; and

WHEREAS, pursuant to 4 Pa.C.S. § 1102(8), strictly monitored and enforced control over all limited gaming authorized by this part shall be provided through regulation, licensing and appropriate enforcement actions of specified locations, persons, associations, practices, activities, licensees and permittees; and

WHEREAS, pursuant to 4 Pa.C.S. § 1103, complimentary service is defined as any lodging, service or item which is provided to an individual at no cost or at a reduced cost which is not generally available to the public under similar circumstances; and

WHEREAS, pursuant to 4 Pa.C.S. § 1322, slot machine licensees shall develop, maintain and apply adequate internal controls that safeguard its assets and revenues; and

WHEREAS, pursuant to 58 Pa. Code § 401a.3, complimentary is defined as (i) any lodging, service or item, including a cash or noncash gift, which is provided directly or indirectly to an individual at no cost or at a reduced cost which is not generally available to the public, (ii) lodging provided to an individual at a reduced price due to the anticipated or actual gaming activities of that individual. Group rates, including convention and

government rates, shall be deemed generally available to the public, and (iii) points that are awarded to patrons of a licensed facility who are members of the licensed facility's player rewards program and credits for promotional slots play; and

WHEREAS, pursuant to 58 Pa. Code § 423a.6(b)(4) and (b)(5), an individual who has applied for the issuance or renewal of a license, permit, certification, registration or authorization shall execute a Statement of Conditions in the manner and form required by the Board. The execution of the Statement of Conditions constitutes the acceptance of each provision contained in the Statement of Conditions and failure to fully comply with any provision contained in an executed Statement of Conditions constitutes a violation and may result in Board-imposed administrative sanctions, up to and including revocation, against the individual or entity to whom the license, permit, certification, registration or authorization was issued; and

WHEREAS, pursuant to 58 Pa. Code § 465a.2(a)(7), a slot machine licensee shall submit to the Board and the Department (of Revenue) a written description of its initial system of administrative and accounting procedures, including its internal control systems and audit protocols (collectively referred to as its "internal controls") at least 90 days before slot or table game operations are to commence. A written system of internal controls must include procedures governing the conduct of all gaming related promotions to be offered by the slot machine licensee; and

WHEREAS, pursuant to 58 Pa. Code § 465a.7(a) slot machine licensees shall develop, maintain and apply adequate internal controls over the authorization and issuance of complimentary services or items; and

WHEREAS, pursuant to 58 Pa. Code § 465a.7(b)(1), the internal controls must include the procedures by which the slot machine licensee delegates to its employees the authority to approve the issuance of complimentary services or items; and

WHEREAS, pursuant to 58 Pa. Code § 465a.7(b)(3), internal controls must include a matrix of job titles authorized to issue complimentary services or items and a list of which complimentary services or items or the maximum dollar value of complimentary services or items each job title is authorized to issue; and

WHEREAS, pursuant to Sands' approved internal control section 465a.7, Sands has developed, maintains, and applies adequate internal controls over the authorization and issuance of complimentary services or items as defined in § 401a.3 of the Board's regulations; and

WHEREAS, pursuant to Sands' approved internal control section 465a.7(b), Sands delegates to its employees the authority to approve the issuance of complimentary services or items. Sands utilizes a complimentary authority matrix ("Comp Matrix") which contains the department, name of position, list of outlets, and dollar limit per transaction by position; and

WHEREAS, pursuant to Sands' approved Statement of Conditions dated May 23, 2014, Condition #1, Sands is required to at all times comply with any and all provisions of the Act and any rules, regulations, technical standards, orders, and Statement of Conditions and to immediately inform the Board of any actions which they know or suspect constitute a violation of the Act or any rules, regulations, technical standards or orders in effect; and

WHEREAS, pursuant to Sands' approved Statement of Conditions dated May 23, 2014, Condition #32, Sands is required to at all times comply with the system of internal controls approved by the Board; and

WHEREAS, the Parties do not dispute the jurisdiction of the Board to address the instant matter; and

WHEREAS, the Parties now seek to enter into this Consent Agreement as a compromise of any disputed claims and in consideration of the Parties waiving, releasing, and forbearing any regulatory dispute.

NOW, THEREFORE, the Parties stipulate, agree, and present to the Board for its consideration, the following:

STIPULATION OF FACTS

On April 6, 2017, the Bureau of Investigations and Enforcement (“BIE”) opened an investigation into the awarding of free slot play at Sands. Free slot play is used to build and reward patron loyalty and drive repeat visits from valuable customers who might otherwise patronize another facility in or outside of the Commonwealth while also ensuring these rewards are used for continued play at the casino. BIE’s review focused on the authorization and issuance of discretionary free slot play as it pertains to the authorized limits and job titles set forth in the approved Comp Matrix, internal controls, and standard operating procedures at Sands during the years of 2015 and 2016.

BIE’s investigation revealed that discretionary free slot play was issued by employees who were not authorized to issue free slot play and/or issued amounts in excess of authorized amounts as set forth in the applicable approved Comp Matrix. The difference between authorizing and issuing discretionary free slot play relates to which employee

exercises the discretion to authorize a certain amount of discretionary free slot play to the customer and which employee actually issues the authorized amount of free slot play to the customer.

BIE's investigation found that a total of 6,428 free slot play transactions violated the approved Comp Matrix, with employees issuing a total of approximately \$1,056,304.75 in excess of the amounts that the given employee could authorize or by an employee who could not authorize free slot play as set forth in the approved Comp Matrix. There were 63 instances where the employee issuing the complimentary exceeded his/her authorized limit under the approved Comp Matrix and 6,365 instances where the employee issuing the complimentary could not authorize free slot play, or the employee job titles were non-existent, under the approved Comp Matrix.

The data provided by Sands regarding discretionary free slot play in 2015 was comprised of 7,627 transactions totaling more than \$1,863,212 in free slot play. BIE's investigation found that 3,199 transactions (41.9%) violated the approved Comp Matrix in the amount of \$581,208.10 in 2015. Specifically, there were 33 instances where the employee issuing the complimentary exceeded his/her authorized limit under the approved Comp Matrix and 3,166 instances where the employee issuing the complimentary could not authorize free slot play, or the employee job titles were non-existent, under the approved Comp Matrix.

The data provided by Sands regarding discretionary free slot play in 2016 was comprised of 9,463 transactions totaling more than \$2,293,412 in free slot play. BIE's investigation found that 3,229 transactions (34.1%) violated the approved Comp Matrix in the amount of \$475,096.65 in 2016. Specifically, there were 30 instances where the

employee issuing the complimentary exceeded his/her authorized limit under the approved Comp Matrix and 3,199 instances where the employee issuing the complimentary could not authorize free slot play, or the employee job titles were non-existent, under the approved Comp Matrix.

Additionally, BIE's investigation found that Sands did not develop, maintain and apply adequate internal controls as required by Regulation 465a.7 (a) over the authorization and issuance of complimentary services or items, specifically free slot play, for the period of years 2015 and 2016. Sands has since updated the internal controls related to this area on June 28, 2017, and January 11, 2018.

Sands provided two different explanations for the discovered discretionary free slot play violations. First, certain job titles may not have comp authorization based on the approved Comp Matrix, but they have facilitator authority, meaning they can adjust a patron's Slot Free Play in the system but need approval to exceed their position's threshold. These adjustments must include comments in the system as to who authorized the Slot Free Play and the reason. However, a review of the data supplied by Sands lacks both adequate and consistent documentation showing that unauthorized individuals actually received the necessary required approvals before issuing free slot play. On numerous occasions there were no comments or justifications provided at all. The second explanation provided by Sands stems from an internal audit conducted by Sands. It was disclosed that the approved Comp Matrix, during BIE's test period, did not reflect the authority levels used by Sands' Marketing and was incorrect for 5 of 21 (24%) Marketing employees. Sands stated that the Comp Matrixes provided to the Board for 2015 and 2016 (10 updated Comp Matrixes total for this time period) were not properly updated and did not reflect the actual

authorizations Sands followed during 2015 and 2016. It was not until the October 2017 Comp Matrix update where the omissions were corrected.

Sands personnel indicated that slot free play and comp adjustments are monitored on a daily basis by Casino Marketing Management. Further, the Business Intelligence Team creates a daily adjustment report for all adjustments regardless of dollar amount as well as an exception report for adjustments that exceed a \$500 threshold. These reports are reviewed daily by the Casino Marketing Management team. Nonetheless, BIE's investigation revealed 3,199 potential violations of the approved Comp Matrix in 2015 and 3,229 potential violations of the approved Comp Matrix in 2016. The potential violations of the approved Comp Matrix for 2015 and 2016 are valued at \$1,056,304.75.

TERMS OF AGREEMENT

In consideration of the foregoing stipulated facts, and in full and final settlement of any and all claims or causes of action which could or might be brought under the Act or the regulations promulgated thereunder, whether against Sands, or any of its owners, employees or agents arising out of the matters identified in the above-stipulated facts, the Parties do hereby further stipulate and agree that:

1. This Consent Agreement shall become final and effective only upon its approval by the Board;
2. Within five days of the Board's Order approving this Consent Agreement, Sands shall pay a civil penalty in the amount of one-hundred ten thousand dollars (\$110,000.00) to the Board;

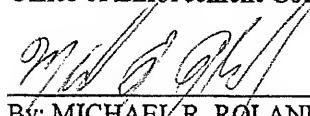
3. Sands shall reinforce its existing policies and provide training, guidance, and reinforcement to its employees, which will minimize the opportunity for similar incidents to occur in the future;
4. Within five days of the Board's Order approving this Consent Agreement, Sands shall pay to the Board two thousand, five hundred dollars (\$2,500.00) for the costs incurred by OEC, BIE, and other related staff in connection with this matter;
5. If approved, the Board may make information public with respect to the terms and conditions of this Consent Agreement;
6. This Consent Agreement may be set aside by the Board if any term herein is violated by Sands; and
7. Sands, through its authorized representative whose signature appears below, has read and fully understands the terms of this Consent Agreement.

This Consent Agreement is offered and, if approved by the Board, entered for settlement purposes only. If the Board determines not to approve the effectiveness of same, this Consent Agreement and the representations and obligations contained herein shall be null and void, and neither party nor any other person shall be entitled to use or rely on any portion hereof for any purpose whatsoever or to admit any portion hereof into evidence in the instant matter or any subsequent proceeding. This Consent Agreement shall not preclude the Board, BIE or OEC from reviewing and considering any facts in any future proceeding relating to any application for licensure or qualification of the licensee. Sands expressly acknowledges and agrees that the Board reserves the right to take any actions that the Board, in its sole discretion, believes is necessary to protect the integrity of gaming

in Pennsylvania, including the right to suspend or revoke any license, approval or permit without limitation if any further violations occur or are subsequently discovered, all in accordance with the Act and the regulations promulgated thereunder.

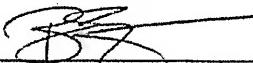
The undersigned consent to the form and entry of the above.

**Pennsylvania Gaming Control Board
Office of Enforcement Counsel**


By: MICHAEL R. ROLAND
Senior Enforcement Counsel

DATED: 3/20/19

Sands Bethworks Gaming, LLC


By: BRIAN CARR
President, Sands Bethworks Gaming, LLC

DATED: 3/19/2019